

Message Text

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ORIGIN SS-30

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DRAFTED BY H:KJENKINS:BM

APPROVED BY EB:TOENDERS

S/S:WHLUERS

C - MR. SONNENFELDT (DRAFT)

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FM SECSTATE WASHDC

TO AMCONSUL JERUSALEM IMMEDIATE

C O N F I D E N T I A L STATE 101843

EXDIS - TOSEC 680

E.O. 11652: GDS

TAGS:

SUBJECT: EAST WEST TRADE POLICY COMMITTEE MEETING

1. THE EAST-WEST TRADE POLICY COMMITTEE MET TODAY, CHAIRED BY TREASURY SECRETARY SIMON. OTHERS PRESENT WERE COMMERCE SECRETARY DENT, AMBASSADOR EBERLE, GENERAL SCOWCROFT, SONNENFELDT, ENDERS, EXIM BANK VICE PRESIDENT SAUER, TREASURY UNDER SECRETARY BENNETT. THE COMMITTEE REACHED DECISIONS ON TWO SUBJECTS INVOLVING US-SOVIET RELATIONS: THE OCCIDENTAL FERTILIZER PROJECT, AND THE ADMINISTRATION'S STRATEGY FOR DEALING WITH EXIM AUTHORIZATION LEGISLATION.

2. IT WAS AGREED THAT THE EXIM BANK SHOULD PROCEED TO ACT ON THE OCCIDENTAL FERTILIZER PROJECT. CONFEREES ON THE EXIM LEGISLATION WILL BE INFORMED BY MR. CASEY OF OUR JUSTIFICATION FOR THE PROJECT. THE STATE DEPARTMENT (H AND EB) WILL INFORM THE CHAIRMEN AND RANKING MINORITY MEMBERS OF THE TWO AGRICULTURE COMMITTEES, SENATOR HUMPHREY, AND THE FOREIGN AFFAIRS COMMITTEE-

3. CONSULTATIONS BETWEEN SECRETARY DENT AND BANK
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PRESIDENT CASEY DISCLOSED THAT SENATORS STEVENSON AND

PACKWOOD AND CONGRESSMAN ASHLEY ALL FELT THAT IT WOULD BE ACCEPTABLE TO PROCEED WITH THE LOAN. IT WAS ALSO AGREED THAT IT WAS IMPORTANT FOR THE BANK TO ACT ON THIS

PROJECT BEFORE THE ICHORD RESOLUTION IS REPORTED OUT AND VOTED ON IN THE HOUSE. (THE ICHORD RESOLUTION EXPRESSES THE SENSE OF THE HOUSE THAT THE ADMINISTRATION NOT AGREE TO ANY ADDITIONAL LOANS TO THE SOVIET UNION UNTIL THE QUESTION OF THE JACKSON-VANIK AMENDMENT AND THE TRADE BILL HAVE BEEN RESOLVED.) TO PROCEED WITH THE LOAN ONCE ICHORD HAS BEEN PASSED WOULD BE LEGAL BUT WOULD CERTAINLY BE PERCEIVED BY THE CONGRESS AS INSULTING.

4. EXIM AUTHORIZATION - THE EXIM AUTHORIZATION WILL NOT GO THROUGH BOTH HOUSES WITHOUT SOME FORM OF ANTI-SOVIET AMENDMENT BEING ATTACHED TO IT. IT WAS AGREED THAT WE NEED TO PROPOSE SOME COMPROMISE LANGUAGE IN ORDER TO ENABLE SUPPORTERS OF THE BANK'S AUTHORIZATION TO HEAD OFF MORE EXTREME CRIPPLING RESOLUTIONS. TWO BASIC TYPES OF COMPROMISE WERE DISCUSSED. FIRST, AN AMENDMENT WHICH WOULD PROVIDE FOR A 30-DAY PERIOD DURING WHICH CONGRESS COULD REVIEW LOANS TO THE USSR AND ACT TO VETO IT. SECOND, A LIMITATION ON LOANS TO THE USSR AND ACCEPTANCE OF CONGRESSIONAL INSISTENCE THAT A PRESIDENTIAL DETERMINATION BE MADE ON EACH LOAN PROJECT. IT WAS AGREED THAT THE LATTER WAS PREFERABLE TO THE FORMER AND THAT MR. CASEY WILL MAKE AN APPROACH TO STEVENSON AND ASHLEY AND SUGGEST A \$300 MILLION LOAN LIMIT WITH THE UNDERSTANDING THAT ALL LOANS LARGER THAN THAT MUST HAVE CONGRESSIONAL APPROVAL, AND A PROVISION FOR INDIVIDUAL PRESIDENTIAL DETERMINATIONS. THIS WOULD BE COUPLED WITH PRIVATE ASSURANCES TO MEMBERS OF BOTH COMMITTEES THAT THE BANK WOULD NOT ACT ON ANY OIL OR GAS PROPOSALS TO THE SOVIET UNION WITHOUT PRIOR CONSULTATIONS OF THE COMMITTEES. RUSH

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